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Köllner, Patrick

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Australia and New Zealand recalibrate their China policies: convergence and divergence

Patrick Köllner

GIGA Institute of Asian Studies, GIGA German Institute of Global and Area Studies and University of Hamburg, Hamburg, Germany



ABSTRACT

Australia and New Zealand (NZ) have in recent years been at the forefront of the growing confrontation between the 'West' and China. Despite very close economic ties with China, both countries have substantially changed their approaches to dealing with the People's Republic. In this article, I take stock of and compare the Australian and NZ recalibrations of their respective China policies, highlighting similarities as well as differences across the two country contexts and over time. It was Australian federal state actors who first embarked on a major 'reset' of China policy, culminating in legislation on espionage and foreign interference in 2018. After a change in government, state authorities in NZ appeared to follow Australia's lead. However, NZ's adjustment of its China policy has been less straightforward, more contested and overall more ambiguous. Small-state theories partly explain NZ's more ambivalent approach. A more comprehensive understanding can be gained by reference to how NZ differs from its Tasman neighbour in terms of strategic outlook, including the paramount importance accorded to trade in its foreign affairs.

KEYWORDS Australia; New Zealand; China; bilateral relations; recalibration; policy shift

Introduction

In recent years, a number of states and regional actors have substantially adjusted their approaches to dealing with the People's Republic of China (PRC). While these policy shifts all entail idiosyncratic domestic drivers and dynamics, they do also reflect changes occurring in the PRC—which has, under Xi Jinping, become more assertive in its foreign policy and also more

CONTACT Patrick Köllner  koellner@giga-hamburg.de  GIGA Institute of Asian Studies, Rothenbaumchaussee 32, Hamburg 20148, Germany.

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ideologically orthodox and repressive domestically. Much attention has focused on the confrontational stance of the Trump administration—which is not surprising, given that great power rivalry matters tremendously for global affairs and can have important consequences for state and other actors caught in the middle. This holds especially true for countries in the Western rim of the Pacific, where US–China strategic rivalry is particularly pronounced. Substantive China policy shifts have already taken place in Australasia. Australia saw through a major reset of its China-related policies in 2017 and 2018. More recently, Australia’s neighbour New Zealand (NZ) also adjusted its China policy. As Richard McGregor notes, the two Australasian allies make for ‘unlikely combatants. Both economies are heavily trade-dependent, have long looked to Asia to do business, and have enjoyed a boom in commercial ties with China over the past two decades’ (2019, p. 1).

In this article, I take stock of and compare the Australian and NZ recalibrations of their respective China policies, highlighting significant similarities and differences across the two country contexts and over time. I show how it was Australian federal state actors who first embarked on a major ‘reset’ of China policy, culminating in legislation on foreign interference in 2018. After a change in government in late 2017, state authorities in NZ appeared to follow suit. However, NZ’s adjustment of its China policy has been less straightforward, more contested and overall more ambiguous. I thus ask why NZ’s recent China policy shift has differed from Australia’s despite the close ties that bind them. Why, in other words, did NZ not fully follow Australia’s lead? I argue that small-state theories help to explain NZ’s more ambivalent approach.

The article is structured as follows. In the first section, I show how Australia and NZ are similar and closely connected to each other. I also highlight the striking similarities and slight, but relevant, differences between the two Australasian states in terms of their respective relationships with the PRC. In the second section, I identify key differences that set NZ apart from its Tasman neighbour and that I expect to impact on its approach to dealing with China: first, size and international status; second, strategic outlook. In the third section, I take stock of Australia’s reset of China policy. In the fourth section, I show how NZ’s long-standing approach of embracing China changed substantially in 2018—only to be modified again soon thereafter. In the final section, I compare Australia’s and NZ’s approaches to dealing with China and discuss the reasons why they have not fully converged. I end by offering suggestions for further research.

Australia and NZ: commonalities and differences

The ties that bind together the two Australasian countries

Despite their physical distance from the United States and Europe, Australia and NZ have long been considered members of the ‘West’. Both countries

are long-standing parliamentary democracies with robust democratic cultures. They share Anglo-Celtic settler roots, a common past as dominions of the British Empire, and the same monarch. Both Australia and NZ are predominantly free trade-oriented, and have strong primary sectors. The two countries are closely integrated economically, sharing what is de facto a common market for goods and services. Australian and NZ citizens are allowed to reside and work, with some restrictions, in the other country. There is thus a constant flow of people, goods, services and ideas across the Tasman Sea. Cultural interchange runs deep. Australia has long been NZ's most important economic partner, while NZ features among Australia's key economic partners. As Hugh White, the doyen of strategic studies in Australia, argues, 'no two countries have more in common with each other than we have with New Zealand' (quoted in Harman, 2019e).

The close ties between Australia and NZ include security and intelligence cooperation too. The ANZUS treaty commits the two countries to mutual defence in case of outside aggression. Whereas the US–NZ link in that treaty collapsed in the 1980s due to the latter's non-nuclear policy, intelligence-sharing among the three countries continued. Along with the United Kingdom and Canada, they form the 'Five Eyes', the exclusive Anglophone intelligence-sharing club going back to 1946. An important part of what is shared signals intelligence. The Five Eyes members operate an array of electronic eavesdropping posts in their respective countries (Buchanan, 2010, pp. 268–269). Regular exchanges at the level of officials as well as high-level exchanges take place among the five partners. There is also a consular, police and customs side to Five Eyes (Author interview, 2019j).

... and them to China

For both the Australian and the NZ economy, China has come to assume an extremely prominent role. At the core of this is trade in goods and services. Reflecting the strong primary sectors of the two economies, ores and coal in the Australian case and dairy, other agricultural as well as forestry products in the NZ one figure prominently in their exports to China—which, in turn, mainly exports manufactured goods to them. Whereas both Australia and NZ are attractive trade partners for China, their relative importance varies not only in terms of trade volumes but also of the main products it imports. Arguably, Australia's exports of minerals are of greater strategic value to China and might be harder to replace than NZ's more elastic exports. Paul Buchanan (2018) suggests that this makes NZ particularly vulnerable to potential Chinese economic coercion. However, such claims are difficult to ascertain given the lack of thorough analyses of NZ's and Australia's economic dependence on China.

Australia and NZ have each signed free trade agreements (FTAs) and broader strategic partnership agreements with the PRC. For both, China is now the number-one trading partner. Goods and services combined, China trade accounts for around one-quarter of total trade for Australia, and one-fifth for NZ. Important revenue streams in the two countries' service sectors are provided by Chinese tourists and students—whose numbers have grown substantially in recent years. China (including Hong Kong) has also emerged as a significant source of foreign direct investment (FDI) in Australia, and even more so in NZ. Economic links with China have helped Australia and NZ to better weather the global financial crisis and to buttress their solid economic growth rates in recent years. However, their bilateral economic relationships are also of an altogether simpler kind than China's economic links with, say, the US—where questions of intellectual property rights and technological leadership loom large (Köllner, 2018, pp. 2–3, 2019, pp. 2–3; McGregor, 2019, p. 1).

In structural terms, Australia's and NZ's relationships with China are asymmetric. Brantly Womack defines such relationships as ones 'in which the smaller side is significantly more exposed to interactions than the larger side because of the disparity of capabilities, and yet the larger is not able to dictate unilaterally the terms of the relationship' (2016, p. 10). The disparity in terms of power capabilities is much larger in the NZ–China than the Australia–China relationship, which should lead to a greater sense of vulnerability and the even greater importance of relationship management.

How NZ differs from Australia

NZ differs from its Tasman neighbour in terms of size and position in the international system, as well as in terms of strategic outlook.

Size and position in the international system

In comparison with Australia, NZ's much smaller population, economy and defence spending explain why the first is widely seen as a middle power and the latter as a small one in the international system.¹ The literature on small states (or small powers—the two terms are used synonymously here) and their foreign policies is based on the premise that size matters in international relations. As Baldur Thorhallsson and Sverrir Steinsson note, 'small states have different needs, adopt different foreign policies, and have a harder time achieving favorable foreign policy outcomes than large states' (2017, abstract), due to small states' more limited resources as well as capacity, and their greater vulnerability.

Owing to their small population and economies, small states have less aggregate structural power in terms of resources and capabilities, and they tend to be weak militarily (Thorhallsson & Steinsson, 2017, p. 4). Despite these constraints, there is considerable room for manoeuvre and strategic positioning. Small powers can, and empirically do, pursue different security strategies, ranging from alliances with great powers to unarmed neutrality. In their dealings with great powers, small powers have to be prudent. With reference to their asymmetric relationships with China, Reuben Steff suggests that 'small states, dependent on maintaining high levels of trade with China to secure their prosperity, are loathe to criticise or take actions that Beijing could find objectionable. This is creating a dilemma over how small states can protect their national interests at a time when China's growing influence threatens the status quo' (2018).

Smallness can have its advantages too. Thorhallsson and Steinsson note that small states' 'informality, flexibility, and the autonomy of their diplomats can prove advantageous in negotiations and within institutional settings' (2017, p. 2). Rapid decision-making owing to the smallness and intimacy of bureaucratic and political actors can be another benefit. In a similar vein, Peter Katzenstein notes that small size favours debate and learning. He argues that small states' 'economic openness and international vulnerability mean control over fewer resources and the probability of greater loss. Hence the environmental conditions in which small states operate are particularly conducive for high learning' (Katzenstein, 2003, p. 16). Whether such learning occurs is not predetermined but, as Katzenstein suggests, small states' greater openness and vulnerability 'leads to a contested political space which [in turn] creates the opportunity for domestic actors to learn and adapt' (2003, p. 18).

Strategic outlook

Robert Ayson argues that it is 'nearly as tempting to exaggerate the differences in the strategic outlooks of Australia and NZ as is to emphasize the similarities' (2012, p. 360). The close ties that bind the two countries together help explain their many similarities. But, there are also major differences. NZ's smaller size affects the country's strategic outlook. Smallness is a constant theme in foreign policy statements and speeches of NZ policymakers. Also, and despite the two countries' relative closeness, their geographic location differs. Whereas Australia borders both the Pacific and the Indian Oceans and adjoins Southeast Asia, NZ's only real neighbour is Australia which, with its continental size, provides a kind of natural shelter. To the north, NZ borders the South Pacific with its scattered islands where a significant part of its population hails from. While both countries have in

the past championed multilateral initiatives in Asia-Pacific, their different geographical positions help to explain why Australian governments have in recent years promoted the idea of the Indo-Pacific as one unified geostrategic area whereas NZ has retained a stronger focus on the South Pacific. Though a small power on the global stage, NZ is a regional power in that world region—whereas Australia is a regional power in both the South Pacific and the larger Indo-Pacific.

NZ's strategic outlooks also differ from Australia's because their ties with the US are not the same. Whereas political elites in both countries believe that America should remain strongly engaged in Asia, such engagement is more vital to Australia—whose security policy hinges on its alliance with the US. NZ, on the other hand, ceased to be a formal ally of the US in the mid-1980s already. Wellington's desire for greater foreign policy autonomy led to a rupture in this alliance (Catalinac, 2010). This rupture provided greater credibility to the idea of an 'independent foreign policy' that successive NZ governments have subscribed to since Norman Kirk's premiership in the early 1970s. NZ's contributions to US counterterrorism campaigns in Afghanistan and Iraq helped to warm bilateral relations again in the early years of the twenty-first century. Testament to this is the 2010 Wellington Declaration, which renewed the strategic partnership between the US and NZ. The subsequent Washington Declaration provided a framework for closer bilateral defence cooperation meanwhile. Still, close security cooperation with the US does not make NZ a formal ally thereof. Moreover, despite its closer security ties with the US, NZ has remained cautious about being seen as party to US positions on Asia-Pacific/Indo-Pacific security (Ayson, 2016, p. 504). Politically—and especially in the security domain—Australia remains thus much more aligned with the US than NZ is.

Finally, NZ's strategic outlook is shaped by a very strong trade imperative. Whereas both the Australian and NZ governments see trade promotion as an integral part of foreign policy and have sought to compartmentalise security and trade matters (Ayson, 2012, p. 356), trade policy is of overall greater importance for NZ. Thorhallsson and Steinsson (2017, pp. 2, 6) note that such countries can try to make up for their small aggregate power by prioritising a few issues that are especially important to them. If sufficient time, effort and resources are invested, small states can increase their issue-specific power. NZ's focus on trade policy is a case in point. NZ's small domestic market makes the country reliant on foreign trade for its economic prosperity, and more vulnerable to international economic fluctuations. To maximise benefits and influence, successive NZ governments have devoted particular diplomatic efforts and talented personnel to pursuing FTAs and to filling important positions in relevant regional and international

organisations. In fact, trade has been a policy area in which NZ has managed to punch above its weight in international relations in recent decades.

Trade has effectively topped other NZ foreign policy concerns for some time. David Craw argues that NZ's 'most important national interest is the protection and expansion of the country's export trade, and that all governments are subject to this imperative' (2005, p. 230). Former prime minister Robert Muldoon's 1980 dictum that 'our foreign policy is trade' has rung true for many NZ governments, especially those run or led by the National Party (McCraw, 1994, pp. 14–15). As Buchanan emphasises, 'virtually all of [New Zealand's] foreign policy perspective passes first through the prism of trade, because [of the belief that] without a vigorous import–export orientation, the NZ economy would stagnate and die' (2010, p. 265).

Australia resets its China policy

Their respective security ties to the US and strong economic ones to China put Australia and NZ in a potentially difficult spot, one which could turn into a real dilemma should they be forced to choose sides. Having to choose between the US and China or between their security and economic interests is something that governments in both countries would like to avoid (Young, 2017a, p. 515). However, as Ayson suggested some years ago, '[b]y dint of its less intense strategic relationship with Washington, and its smaller size, [NZ may well have a] greater chance than Australia of staying away from this sort of zero-sum game' (2012, p. 353). Certainly, the Tasman neighbours' approaches to dealing with this potential dilemma have diverged. As Jason Young notes, NZ has for many years 'engaged China in a proactive and pragmatic manner' whereas Australia has tended to emphasise security concerns and been 'more openly critical of Chinese governance, human rights, and foreign policy' (2017a, p. 515). Australia's greater propensity to openly criticise China was also on display in what John Garnaut (2018) calls the reset of China policy.² That reset had internal and external dimensions, and led China to freeze bilateral high-level political exchange. The *Global Times*, China's international newspaper and propaganda organ known for its blunt language, said in May 2018 that 'Australia's relations with China are among the worst of all Western nations' (*Global Times*, 2018). How did things get that bad?

External dimensions of the reset

Especially after 2016, unease had grown in Australia about China's increasing assertiveness in the South China Sea (SCS). The decision by the Chinese government not to accept the July 2016 ruling of a tribunal constituted

under Annex VII to the United Nations Convention on the Law of the Sea shattered any remaining hopes for a rules-based solution to territorial disputes in the SCS. The Chinese rejection of the ruling—which stated, among other things, that the country had ‘no historical rights’ based on the so-called nine-dash line to territory also claimed by other states (Permanent Court of Arbitration, 2016, p. 2)—did not come as a surprise. But the rejection of the ruling, combined with China’s fortification of islands and other territories, made it plain that security risks in the area were on the rise.

Australian cabinet members publicly adopted an increasingly critical tone towards China in 2017. Speaking at a public forum in Singapore in March, then foreign minister Julie Bishop (2017) made a thinly veiled jab at the PRC, expressing concern about rising powers’ use of ‘newfound strength to challenge existing territorial or strategic boundaries or to impose their political will on others.’ At the Shangri-La security dialogue a few months later, then PM Malcolm Turnbull (2015–2018) was even more direct, noting fears that China would ‘seek to impose a latter day Monroe Doctrine on this hemisphere in order to dominate the region’ and urging the PRC to respect ‘the sovereignty of others’ (Turnbull, 2017a). Turnbull’s speech followed up on the government’s 2016 Defence White Paper, and set the tone for the 2017 Foreign Policy White Paper. Both documents highlight growing security risks in the Indo-Pacific, with the Foreign Policy White Paper expressing concern about the ‘unprecedented pace and scale’ of China’s activities in the SCS (Australian Government, 2017, p. 47). The document emphasised the need for a strong US presence in the region, and called for greater security cooperation with other nations in the Indo-Pacific. Both white papers point to the need for closer engagement by the Australian Defence Force (ADF) in the region. The ADF will in fact grow to 62,000 and see very substantial investments in military hardware over the next few decades—including the procurement of new submarines, naval frigates and fighter jets (Grigg & Tillett, 2018; Tarabay, 2019).

Another concern of policymakers in Canberra has been China’s growing presence in the South Pacific, a region often considered Australia’s ‘sphere of influence’ (White, 2019). Through its expanding diplomatic, trade and investment in, as well as growing aid to, the region, China is seen to be challenging Australia’s own position there. Strategic circles in Canberra worry that Chinese loans to South Pacific nations will ultimately lead to political dependency on the part of the latter. They also fear that China’s apparent interest in port development in the region, might be motivated by an aspiration to set up a military base in that part of the Pacific. Whether such concerns are ultimately well founded or not, Australia decided in 2018 to join forces with the US in developing a naval base in PNG—apparently trying to pre-empt Chinese moves (BBC, 2018). Australian

government representatives also imparted upon regional leaders the risks of accepting large loans from China. Moreover, they pushed for more intensive security-related cooperation among Pacific Islands Forum member states (which include Australia and NZ), culminating in the September 2018 Boe Declaration on Regional Security.

The Australian government committed itself in the 2017 Foreign Policy White Paper and subsequent announcements by PM Scott Morrison—for whom Australia's 'step-up' of engagement in the South Pacific has become a signature foreign policy initiative—to further increasing economic assistance to the region, and to establishing new diplomatic missions there (DFAT, [n.d.](#)). In the 12 months after assuming office in August 2018, both Morrison and FM Marise Payne visited the region several times, underlining that the government was serious about increased engagement. In 2018, the government also established the Australian Infrastructure Financing Facility to provide an alternative funding source for infrastructure projects in the region. It also agreed to build at a cost of around 200 million Australian dollars an underwater Internet cable network between Papua New Guinea, the Solomon Islands and Australia. The cable was originally supposed to be installed by Huawei. Security concerns led to the Australian government's decision to seek an alternative (Wyeth, [2019](#)). While there is some debate about the effectiveness of the step-up and the measures connected to it, Australia's increased engagement in the South Pacific constitutes a genuine attempt to balance China's increased presence in the region (White, [2019](#)).

Internal dimensions of the reset

As Rory Medcalf notes, Australia has been a 'first mover in pushing back against Chinese interference [in domestic politics]' ([2019](#), p. 109). Concerns about China's increasingly assertive foreign policy as well as repression at home became more apparent in Australian politics in 2017, when the federal parliament blocked a bilateral extradition treaty and a memorandum of understanding concerning Australia's participation in the Belt and Road Initiative (BRI), China's signature foreign policy and connectivity project. Already in 2016, the federal government had blocked the sale of a large electricity supplier to a Chinese-led consortium, prefiguring later discussions about the risks of 'critical infrastructure' being foreign-owned. In the same year, the government commissioned a classified report on foreign interference (Medcalf, [2019](#), p. 119). Foreign interference became a hot topic in mid-2017. In June, an investigative report by the Australian Broadcasting Corporation cast light on Chinese influence over Australia's domestic politics. It accused the government in Beijing of organising Chinese students in Australia to demonstrate on behalf of Chinese state interests, and of setting

up spy networks within these student communities. The report also revealed opaque political donations from Chinese and Australian-Chinese businessmen to Australian policymakers. Other large-scale donations had been channelled to universities and think tanks (ABC, 2017). Speculation was rife that these donations were at least in part undertaken to obtain access and influence. It also became known that Chinese corporations had offered lucrative jobs to former Australian policymakers.

Of particular concern to Australian policymakers and the intelligence community have been the covert activities of the United Front Work Department (UFWD) of the Chinese Communist Party (CCP). The UFWD's tasks include political-influence activities abroad. According to Anne-Marie Brady, the UFWD has focused under Xi on, among other things, 'strengthening efforts to manage and guide overseas Chinese communities and utilize them as agents of Chinese foreign policy' and on re-emphasising 'people-to-people, party-to-party, plus PRC enterprise-to-foreign enterprise relations, with the aim of coopting foreigners to support and promote the CCP's foreign policy goals' (2017, p. 7).

Both Australia and NZ have figured as prominent targets of UFWD efforts, as well as of other attempts at influencing political and public discourse in China's favour (see Brady, 2017; Fitzgerald, 2018). In both countries, fundraising is a vital issue for party leaders and aspiring politicians alike, providing possible entry points for political access and influence-seeking activities by foreign actors. One of the biggest political scandals in Australia in 2017 saw the fall and eventual resignation of Labor Party senator Sam Dastyari, who had advocated accepting Chinese territorial claims in the SCS. He was later found to have accepted substantial donations from a Chinese billionaire real-estate magnate living in Australia (until his residency permit was eventually revoked in early 2019) (Smith, 2019).

The welter of media and academic reporting on Chinese influence-seeking activities, coupled with repeated warnings from Australia's intelligence agencies and culminating in the Dastyari affair, prompted the federal government to introduce in December 2017 counter-interference legislation. In his speech introducing the relevant bill, PM Turnbull upped the ante, emphasising that Australia needed to 'clearly set the terms of healthy and sustainable engagement' with China and adding that 'the Australian people stand up and assert their sovereignty in our nation, with our parliament and with our laws' (2017b). The Chinese government immediately lodged a formal complaint against the allegations of interference, saying that Turnbull's remarks 'poison[ed] the atmosphere of the China-Australia relationship and undermine[d] the foundation of mutual trust and bilateral cooperation' (Knaus & Phillips, 2017). In June 2018, the National Security Legislation Amendment (Espionage and Foreign Interference) Act passed with bipartisan support in

both houses of the federal parliament. The act amended the criminal code and various forms of government legislation. It strengthened existing penalties for espionage and related offences. It also defined foreign interference and stipulated harsh penalties for related offenses. The related Foreign Influence Transparency Scheme Act requires foreign lobbyists to register with the authorities, and provides for greater transparency concerning political donations (Australian Government, 2018b, 2018c).

Already in March 2018, both houses had passed the Security of Critical Infrastructure Act 2018. This act served to establish a (confidential) register of critical infrastructure assets in Australia, requires relevant entities and operators to supply information on ownership and other matters, and empowers the minister in charge to take action vis-à-vis such entities and operators in case of national security risks (Australian Government, 2018a). The act is also of relevance for FDI, as national security risks are to be assessed in case of large-scale investment proposals concerning critical infrastructure in areas such as electricity, gas, water and ports. If such risks are found to exist, the Treasury can deny approval.

The foreign interference act constituted a high point in Australia's reset of its China policy. Things did not end there, however. Although PM Turnbull struck a conciliatory tone in a major China policy speech in August 2018—which observers saw as a reset on the reset (e.g., McGregor, 2018)—this did mean that the government moved away from its more robust approach. Later in the same month, it effectively barred Chinese telecommunication companies Huawei and ZTE from participating in the local roll-out of 5G technology due to security concerns. This made Australia the first country to de facto bar Chinese companies from a 5G network. By doing so, Turnbull later explained, the government decided to hedge against 'adverse contingencies' in case relations with China soured in the future (Bermingham, 2019).

Despite repeated Australian attempts since mid-2018 to mend ties, relations with China have been negatively impacted by Australia's reset. China put high-level political exchange on hold for most of 2018. Only in late 2018 did FM Payne visit Beijing to attend a long-delayed bilateral dialogue. The last Australian PM to visit China was Turnbull in September 2016. And in the first half of 2019, speculation abounded that months-long delays in the handling of 15 million tons of Australian thermal coal at Chinese ports were politically motivated (McGregor, 2019, p. 1) —sending the message that the Chinese government continued to be unhappy about Canberra's policy shift. Comments by Morrison, on the occasion of a visit to the US in September 2019, that China should no longer be considered a developing country and receive special treatment under World Trade Organization (WTO) rules, constituted another irritant. The episode also highlighted the limits of

bipartisanship on China policy in Australia. Rejecting Morrison's assessment of China's economic status, deputy Labor leader Richard Marles accused the government of mismanaging the 'complex' relationship with China, leading to the 'terrible' current state of bilateral relations (Martin, 2019).

New Zealand also recalibrates its China policy

Embracing China's rise

Successive governments in Wellington have embraced the rise of China and the economic opportunities it has opened up for NZ. In fact, a strong commercial orientation has coloured NZ's relations with the PRC over the past few decades. In the mid-1990s, signing FTAs with overseas—especially Asian—partner countries became a foreign policy priority for Wellington (Buchanan, 2010, p. 265). The Labour government under Helen Clark (1999–2008) was particularly keen on making NZ the first developed country to sign a FTA with China. NZ managed to clinch the bilateral FTA in 2008, some 7 years before Australia's own FTA with the PRC became effective. The coming into force of the FTA marked the 'fourth first' in bilateral relations: in 1997, NZ became the first developed country to agree to China's accession to the WTO by concluding the required bilateral negotiations; in 2004, it was the first developed country to recognise China as a market economy; and, in the same year, NZ was the first developed country to embark on FTA negotiations with the PRC. The National-led government under PM John Key (2008–2017) continued to grow the bilateral relationship. Key and his colleagues were determined to get the relationship right. For FM Murray McCully, this even constituted a 'top priority' of the government (Brady, 2018). In 2012, then trade minister Tim Groser claimed that NZ had 'a relationship with China that no other developed country has' (quoted in Young, 2017a, p. 515). Notably, NZ was given the political space to conclude—as the only Organisation for Economic Co-operation and Development country to do so to date—an FTA with Taiwan (Author interview, 2019f; Cook, 2013).

The relationship with China was crowned by the Strategic Partnership Agreement in 2014. A few more 'firsts' followed thereafter. In 2015, NZ was the first developed country to become a prospective founding member of the China-led Asian Infrastructure Investment Bank. In late 2016, negotiations to upgrade the existing bilateral FTA were launched—constituting another first for a developed country. Finally, in April 2017, the two countries signed a 'Memorandum of Arrangement [MoA] on Strengthening Cooperation on China's Belt and Road Initiative'. Again, NZ was the first developed country to officially support Xi's global initiative. Unlike their colleagues in Canberra, who assumed a much cautious approach to the BRI

and thus never signed on, 'New Zealand authorities decided to be at the table, to try to shape the Initiative in areas where it touches on New Zealand interests, such as the Pacific' (Young, 2017b).

Differences in Australian and NZ approaches to dealing with China were particularly pronounced in the early years of the Key government. Whereas Australia embarked under PM Kevin Rudd on a major modernisation of its armed forces—trying to make the country more self-reliant in view of China's growing military capabilities and given lingering doubts about the US' long-term strategic presence in the Asia-Pacific, strategic trends that were discussed at length in the Australian 2009 Defence White Paper (Commonwealth of Australia, 2009)—NZ's own 2010 Defence White Paper mentioned major power competition in the region only in passing. The NZ white paper also took a fairly benign view of the security implications of China's rise, noting that the PRC 'both benefit[ed] from and contribute[d] to regional stability and prosperity' and that there was 'a natural tendency for it to define and pursue its interests in a more forthright way on the back of growing wealth and power' (New Zealand Government, 2010, p. 30). Moreover, whereas the Rudd government revised Australia's FDI screening regime with a view to being better able to ward off unwanted investments by Chinese state-owned enterprises in the Australian mining sector (see Peters, 2019), the Key government maintained NZ's fairly liberal FDI screening regime.

Under the Key government, NZ also differed from Australia when it came to the SCS. Whereas the Australian government voiced its concern publicly on a number of occasions, Wellington adopted until 2016 a low profile on the issue and refrained from criticising Chinese behaviour. Even in closed settings, government representatives took the position that *all parties* should refrain from aggravating the situation and resolve issues peacefully in accordance with international law (Ayson, 2016). Only when tensions flared, with even some usually reticent Association of Southeast Asian Nations member states becoming outspoken on the issue, did the NZ government change tack. Speaking in Singapore in March 2016, then FM McCully (2016) still shied away from apportioning blame, but for the first time mentioned 'reclamation and construction activity and deployment of military assets in disputed areas' as a cause of the growing tensions. More importantly, he voiced the expectation that all parties respected the upcoming tribunal ruling—a position also found later in NZ's Defence White Paper 2016 (New Zealand Government, 2016, p. 31)—knowing that China was very unlikely to do so. The Key government thus finally adopted a stance on the SCS issue that was at least somewhat more in line with its Australian ally (Capie, 2016).

Publicly, the National government also held the view that China's expanding profile in the South Pacific constituted no reason for concern.

Key himself suggested that NZ's growing trade links with China would provide Wellington with the ability to raise sensitive concerns bilaterally (Steff & Dodd-Parr, 2019, p. 104). NZ's China relationship was viewed 'predominantly, if not exclusively' (Simon Draper, quoted in Young, 2017a, p. 525) through the trade lens. The pronounced commercial orientation of the Key government in its approach to China showed in the 'NZ Inc China Strategy', presented jointly by New Zealand Trade and Enterprise (NZTE) and the Ministry of Foreign Affairs and Trade (MFAT) in 2012. It was based on the premise that a 'strong relationship with China is very important to [NZ's] prosperity' (MFAT, n.d.). The strategy set a couple of mid-term goals, the first of which was to 'retain and build a strong and resilient political relationship with China' (NZTE & MFAT, 2012, p. 16). To help reach that goal, a 'no surprises policy' (Young, 2017a, p. 515) was employed to make sure that the government in Beijing did not get blindsided or offended by anything coming out of Wellington. The NZ government also put strong emphasis on growing the political relationship, which, according to Brady, 'under National came to mean developing extensive and intimate political links with CCP local and national leaders and their representatives and affiliated actors in New Zealand' (2018).

First signs of trouble

Despite such efforts, indications mounted in 2016 that China's more assertive foreign policy behaviour also affected the 'special relationship' with NZ. When Key visited Beijing in April 2016 to seek an upgrade to the bilateral FTA, he was greeted by Xinhua and *Global Times* editorials stating that he better not mention the SCS issue should he be interested in continued flourishing trade ties. NZ's participation in a multilateral military exercise held partly in the SCS in April 2016 also drew the ire of the editorialists (Capie, 2016). The editorials indicated that even in relations with a small power, the diplomatic gloves came off in Beijing where the SCS was concerned. The growing assertiveness of the Chinese government was also on display a few months later when it threatened to retaliate against Zespri, a major kiwi fruit exporter, if the government in Wellington chose to go ahead with an investigation into Chinese steel dumping practices (Steff & Dodd-Parr, 2019, p. 105).

A year later, NZ domestic politics also began to reveal problems connected with the country's close ties to China.³ Shortly before the September 2017 general election, academic-turned-MP Yang Jian, an important figure in NZ-China relations and a key fundraiser for National among the Chinese community, found himself at the centre of a scandal. Investigative journalists revealed that Yang had worked for a Chinese

military intelligence school for a number of years and was a member of the CCP—but had failed to mention these facts when applying for residency, citizenship and jobs in NZ (Jennings & Reid, 2019). National defended Yang and no formal enquiry ensued, as the new government did not pursue the matter—perhaps because Labour also has a Chinese-born MP among its ranks who helps the party link up with possible donors. Yang continues to be an MP, but is no longer a member of parliament’s foreign affairs committee. The Yang affair marked the start of a public debate in NZ about the possible interference of the CCP in domestic politics and the public sphere. The debate has mirrored to some extent a similar one occurring in Australia, although it has been much more low-key.

Indications of a full-scale reset in 2018

National came out of the 2017 election again as the largest parliamentary party, but failed to secure a majority of seats. Acting as kingmaker, the moderately populist NZ First—led by political veteran Winston Peters—chose to join forces with Labour and its young party leader, Jacinda Ardern. Support for the minority government from outside cabinet was provided by the Green Party. In the new government, both the foreign affairs and the defence portfolios went to NZ First. Peters had taken a critical stance towards China before, especially when on the campaign trail—focusing in particular on FDI and immigration issues. In his earlier stint as FM (2005–2008) he had also promoted close relations with Australia, the US and South Pacific nations. Labour, on the other hand, had in recent years also been cautious with respect to issues such as FDI and immigration.

Major initiatives relevant to NZ’s relations with China began to unfold in 2018. In early March, Peters (2018a) unveiled the government’s ‘Pacific Reset’ initiative. He framed it as a response to increasing competition for influence and resources in the region. Even without directly mentioning China, it was clear that this referred mainly to the PRC’s increasing presence there. Certainly for Peters, there was a need to balance against this (Author interview, 2019i). Whereas the Key government had talked about engaging more in the South Pacific, it was the new government that made the necessary funds available (Author interviews, 2019b, 2019i). The Pacific Reset promised more technical and financial support to, and intensified engagement with, Pacific partners. It entailed a significant increase in NZ’s foreign aid and the posting of 14 more diplomats to the region, as well as a number of visits there by Peters and Ardern. The initiative also foresaw greater policy coordination with key partners ‘near and far’ (Peters, 2018a). The latter referred not least to the US, who Peters (2018b)—in a speech delivered later in the year—implored to step up its efforts in the South Pacific.

He even drew a parallel to the US' engagement in the Pacific War in 1942—much to the surprise of the PM and Peters' cabinet colleagues, who were blindsided by the speech. Speaking to journalists soon after, Ardern was at pains to emphasise that it did not mean that the government was adopting a more pro-US stance and was less enthusiastic about China (Smellie, 2018). The impression was that the PM and the FM were not fully on the same page when it came to China.

Apart from the Pacific Reset, a number of other government initiatives and statements indicated that a major reset of NZ's approach to China was underway. In March 2018, Peters called into doubt Wellington's commitment to supporting the BRI. He argued that it was not clear where the initiative was headed, and criticised the Key government for having been hasty in signing up to it (Dziedzic, 2018). A few months later, the 18-month period in which NZ and China, under the terms of the relevant MoA, should have identified concrete BRI-related cooperation areas was notably up without official follow-through.

In July 2018 the government launched its Strategic Defence Policy Statement, which examined developments in NZ's strategic environment and provided policy guidance for both the Ministry of Defence and the armed forces. The Statement argued that NZ will face 'compounding challenges of a scope and magnitude not previously seen in our neighbourhood'; these included an 'increasing importance of spheres of influence, with some states pursuing greater influence [...]' (MoD, 2018, p. 6). The Statement noted that NZ had 'no better friend than Australia', and that the two militaries needed to work effectively together to address shared security interests—in particular in the South Pacific, thus linking the policy document with the Pacific Reset. On the other hand, the Statement did not speak about China as an 'important strategic partner' (as the 2016 Defence White Paper had)—but simply vowed to continue building a 'strong and resilient' bilateral relationship (ibid., p. 14). Unlike earlier government documents, which had tended to soft-pedal such issues, the Statement also noted China's more assertive approach to territories claimed in Northeast Asia and the SCS—plus its increasing footprint in the South Pacific and Antarctica too (ibid., pp. 20, 22). Moreover, the Statement noted that China and NZ held different views on human rights and freedom of information (ibid., p. 17). Reflecting the Statement's messages on pressing military capability needs and on maintaining interoperability with Australia and other security partners, the government decided soon afterwards to invest heavily in defence equipment by 2023—inter alia by replacing NZ's aging P-3 Orions with four state-of-the-art Boeing P-8A Poseidon maritime patrol aircraft (Greenfield, 2018).

Of relevance to Chinese FDI in NZ has been a two-stage reform of the Overseas Investment Act. The first stage, taking effect in October 2018,

included a ban on foreign buyers acquiring existing homes. A new ministerial directive also raised the bar in terms of the ‘substantial and identifiable’ benefits that foreign investors in rural land must prove. The second stage of the review, scheduled for legislative action in 2020, is likely to result in more discretionary power being invested in the government to screen—and deny, if need be—investment that is not in the ‘national interest’ (Harman, 2019b). Currently NZ lacks such screening provisions allowing the government to assess the desirability of Chinese and other FDI projects in critical infrastructure.

Things came to a head towards the end of 2018. In November, the Government Communications Security Bureau (GCSB), part of NZ’s intelligence apparatus, blocked a bid by telecoms provider Spark due to security concerns (GCSB, 2018). Spark had intended to use equipment from Huawei in a first local roll-out of 5G technology. A month later, the GCSB called out China for nefarious cyber activities. The relevant statement spoke of ‘links between the Chinese Ministry of State Security and a global campaign of cyber-enabled commercial intellectual property theft’ (National Cyber Security Centre, 2018) targeting the intellectual property and commercial data of a number of service providers, including some operating in NZ. Whereas in the past NZ governments had been willing to name North Korea and Russia as perpetrators of cyberattacks, they had been reluctant to add China to that list (Ayson, 2019). Now, Wellington joined the US and Australia in pointing the finger at China too. The minister of justice, Andrew Little (Labour), called cyberattacks ‘a modern form of warfare’ (RNZ, 2018) and one in which China was involved.

Pulling it all together, there it seemingly was: a full-scale reset of China policy, giving rise to speculation that NZ was ‘shifting back to its traditional ANZUS partners’ (Novak, 2018). What was missing, relative to Australia’s response, was legislation concerning foreign interference. In late 2017, when the parliament in Canberra started deliberating on the relevant bills, Ardern argued that there was no need for such a move in NZ as there was no evidence of similar issues at play there. Still, vigilance regarding any overseas influence was useful, the PM added (Cheng, 2017). More than a year later, in spring 2019, parliament’s Justice Committee notably started to look into possible irregularities in connection with the 2016 and 2017 elections, focusing on foreign interference. In a joint statement made in the relevant hearings, the heads of the GCSB and of the NZ Security Intelligence Service enumerated a number of ‘vectors’ of possible foreign interference in NZ elections. These included cyber-enabled threats, the use of the media to spread disinformation, covert influence and leverage (including through electoral financing), and the exertion of pressure and control vis-à-vis diaspora communities (NZ Parliament, 2019). The jury is still

out on whether this will lead to legislative action before the 2020 general election.

Fence-mending: the ‘February panic’ and after

A number of things indicate that Beijing became increasingly concerned, if not annoyed, about the direction that NZ’s China policy was taking. It appointed a senior and outspoken diplomat, Madam Wu Xi, as the new ambassador to Wellington in spring 2018 (Author interview, 2019f). A few months later, it called in the NZ ambassador to the PRC to complain about the depictions of Chinese behaviour in the Strategic Defence Policy Statement (Sachdeva, 2018). Also, noises were made to NZ businesses operating in China to relate any concerns back to the government in Wellington (Author interview, 2019f). Finally, Ardern’s first official visit to China got delayed by ‘scheduling difficulties’. More often than not, such issues either indicate diverging priorities on both sides or, worse, clouded relations.

By February 2019, Ardern had still not visited China, and the desired updated FTA seemed to be on the backburner in Beijing. Talk of Chinese ‘political blowback’ to the shift in NZ’s China policy mounted in the local media. Pundits suggested that the PM was being played by Peters and his NZ First colleagues on foreign and security policy (Smellie, 2019). The opposition also chipped in, blaming the government for a steadily deteriorating relationship with the PRC. Unlike in Australia, there was no bipartisan support for a more substantial change in the country’s China policy, which became more of a ‘political football’ (Author interview, 2019d). A few other circumstances contributed to the ‘February panic’, media-hyped as it was (Author interview, 2019a): the sudden postponement of the 2019 China–NZ Year of Tourism’s launch; reports about Chinese tourists being discouraged from visiting; and, the turning away in mid-air of an Air New Zealand plane bound for Shanghai (Edwards, 2019). In sum, things seemed to have spiralled out of control, with the government—and the PM in particular—coming under increasing pressure to do something about it in order to avoid major economic damage.

And that is what the NZ government did, with a little help from its Chinese counterpart—which seemingly also had little interest in ties with yet another country hitting rock bottom (Author interview, 2019f). From late February onwards, things were in recovery mode—with conciliatory statements from both foreign ministries and the Chinese embassy in NZ, the tourism year finally getting underway and Ardern finally visiting Beijing in April 2019. Unlike senior members of the Turnbull government in Australia, but like her predecessor Key, Ardern had very much shied away from any direct criticism of China (Author interviews, 2019f, 2019j;

McGregor, 2019, p. 2). In Beijing, she assured Xi that China was a ‘valued partner’ and that its companies would not be discriminated against in NZ. Speaking to journalists about the tensions in the SCS, she said that all territorial issues in the region should be resolved peacefully and in accordance with international law, essentially going back to the old McCully position. She thus stayed clear from the kind of accusations levelled explicitly or implicitly at China in the 2018 Defence Statement and in Peters’ speeches. In a media briefing, Ardern emphasised that NZ did not pick sides but pursued a ‘principled approach that is not about the relative position of any other nation regardless of whether they are partners or allies but simply [about] maintaining a position that responds to NZ’s interests and independence’ (Harman, 2019a). This was a far cry from the more hawkish and pro-US line pursued by her NZ First cabinet colleagues.

Soon after Ardern’s visit, the minister for trade and export growth, David Parker, attended the second BRI Forum in Beijing in April 2019—bringing back ideas about selective NZ involvement in areas such as streamlining custom procedures, behind-the-border services and ‘greening’ the initiative (Author interviews, 2019d, 2019h; TVNZ, 2019). Peters himself went on record to endorse the government’s stance on BRI collaboration, ostensibly because it had now become clearer that the initiative went beyond mere infrastructure (Walls, 2019). Finally in May 2019, Ardern asserted in an interview that she was in charge of NZ’s foreign policy direction—and thus also towards China (Harman, 2019d).

With Ardern’s taking charge of China policy in 2019, NZ’s seemingly clear-cut reset of relations lost some of its sharper edges. This recalibration did not, however, amount to a full-fledged reversal of policy. After all, important decisions and initiatives taken in 2018 such as the Pacific Reset, hefty investment in new surveillance planes, the new investment regime and the decision on Huawei were not overturned. Emphasising the independence of NZ’s foreign policy, Ardern made clear that the government would not simply fall in line with US or Australian positions but rather make its own assessments. Selective participation in the BRI is a case in point here. Ardern’s diplomatically adroit state visit to Beijing helped to re-stabilise ties with China and to ‘put a floor under the relationship’, as a senior NZ diplomat put it (Author interview, 2019d). Certainly, Ardern’s visit was well received in China. An editorial in the Mandarin-language version of *Global Times*, published shortly after, drew a clear line between Canberra and Wellington. Whereas Australia harboured ‘greater geopolitical ambitions’ in the shadow of the US and needed to be pressured, the more pragmatic NZ, which placed ‘greater emphasis on its economic interests’, needed to be understood and worked with, it said (Harman, 2019c). This somewhat clumsy attempt to drive a wedge between the two Australasian

allies could have come out of the UFWD's playbook, and was readily perceived as such (Author interview, 2019a).

Despite the reassuring noises coming out of Beijing, 'the gloss has gone' in NZ–China relations, as one close observer put it (Author interview, 2019b). The future of the bilateral relationship is bound to be bumpier. Difficult decisions loom ahead. For example, Huawei's participation in rolling out 5G might require another look—and possibly a political decision—if Spark decides to come up with a modified 5G proposal. As McGregor notes, 'Beijing remains hopeful that NZ will, in some form, accept Huawei into its 5G network. Not only would that be a win for Huawei, it would also isolate Australia' (2019, p. 8). A final decision on Huawei could easily be perceived as a proxy for where the NZ government stands in the confrontation between the US and China. Also, Beijing will keep a close watch on how Chinese investment projects are henceforth treated under a beefed-up Overseas Investment Act—and indeed on what comes out of the NZ parliament's inquiry into election irregularities. There will also be other issues on which the governments in Wellington and Beijing do not see eye to eye, especially given the evolution of China's domestic and foreign policies under Xi. In any case, the kind of 'monocular approach to China (as if that country was a large marketplace and little else)' (Ayson, 2012, p. 356) that prevailed under the Key government has given way to more sober assessments of the opportunities but also risks that close ties with China entail (authors interviews 2019a, 2019b, 2019d, 2019f).

Conclusion: comparing Australian and NZ recalibrations of China policy

In the preceding two sections, I took stock of Australia's and NZ's recent recalibrations of China policy. Table 1 summarises the relevant similarities and differences across time in a number of domains. Australian and NZ approaches to managing relations with China have diverged for some time now. This became especially pronounced when Australian state actors embarked on a major reset of China policy in the face of growing concerns over the PRC's assertive behaviour in the SCS and its increasing footprint in the South Pacific, as well as after instances of Chinese meddling in domestic politics and the public sphere in Australia. The reset culminated in legislation on foreign interference in mid-2018, with then PM Turnbull criticising China by name. The Australian government was also the first to effectively bar Chinese companies from the domestic roll-out of 5G, and has engaged externally in strategic balancing behaviour—most notably in the South Pacific. Attempts to mend the frayed bilateral ties notwithstanding, the government in Canberra has under Turnbull and Morrison—who both built on

Table 1. Dimensions of China Policy in Australia and New Zealand 2016–2019

	Australia	New Zealand
Public criticism by gov't representatives of China, especially with respect to behaviour in the SCS?	Critical remarks by high-level cabinet members during Turnbull gov't	No public criticism under Key gov't. Under Ardern gov't, more critical stance in defence policy document and speech acts by FM and other cabinet members. However, PM refrained from public criticism.
Increased investment in military hardware?	Substantial investment in submarines, frigates etc.	Significant investment in maritime patrol aircraft
Increased engagement in South Pacific?	Substantial 'step-up' of engagement in region, under Turnbull and especially under Morrison gov't	Substantially more engagement under Ardern gov't ('Pacific Reset')
Participation in BRI?	No participation in BRI at the federal level	Under Key gov't, NZ was first developed country to sign MoA on BRI participation. Under Ardern gov't, FM called commitment to BRI into doubt but later cabinet-level participation in second BRI Forum.
Foreign-interference legislation?	Espionage and foreign interference act (mid-2018)	Parliamentary inquiry into foreign interference in elections, but no legislative action as of late 2019
Ban on Chinese company participation in 5G roll-out?	Complete de facto ban on Huawei and ZTE in 5G roll-out	Huawei participation in first local 5G roll-out blocked, but no complete ban as of late 2019
Other gov't actions?	Foreign investment regime amended (national security risk assessment in case of large-scale FDI in critical infrastructure)	Foreign investment regime made more restrictive regarding residential property and rural land. NZ joined Australia and US in calling out China for cyberattacks.
Bipartisan/cross-party support for China policy?	China policy reset as such uncontested by major parties	Bipartisan support for China policy under Key gov't. China policy contested under and within Ardern gov't.
High-level political exchange	High-level political exchange frozen by Chinese gov't 2017–2018.	First official visit of Ardern to China took finally place in spring 2019.

Source: Own compilation.

Rudd's earlier moves—recalibrated its approach to dealing with China in a fairly consistent and straightforward manner, leading to an altogether more robust and confrontational stance. Willingness to engage in a trade war apart, Australia's approach has been fairly in sync with that of its American ally.

The NZ case is more complex, as that government's management of relations with China has shifted more often over time. The Key government viewed China predominantly through a commercial lens, and, unlike Australia, embraced early on various Chinese initiatives connected to the country's rise such as the BRI. It refrained from publicly criticising China, and only became slightly more outspoken on the SCS issue as late as 2016. NZ's supposedly special relationship with China immediately began to show strains.

The change in government in late 2017 brought about a multidimensional recalibration of China policy. This echoed in many ways Australia's own reset. However, NZ's adjustment of China policy has been less straightforward, more contested and overall more ambiguous. To some degree at least, the seeming inconsistency in the Ardern government's approach to dealing with China reflected different viewpoints within the ruling coalition. Whereas the junior coalition partner NZ First, led by Peters, sought to bring NZ in close alignment with Australia and the US over China, Ardern, PM and leader of the Labour party, refrained from criticising China over the SCS or other issues and repeatedly emphasised the independence of NZ's foreign policy. In the face of mounting domestic concerns over worsening bilateral relations she effectively took charge of China policy in spring 2019, seeking to stabilise bilateral ties and to ward off possible economic damage. Unlike Australia, NZ continued to engage with the BRI and did not close off all options with respect to Huawei's 5G participation. The jury is still out on whether there will be comprehensive non-interference legislation, Australian-style, in NZ, or, more likely, some tinkering with party-funding regulations. Still, the significant recalibration of China policy taking place in NZ from 2018 has led, on some counts at least, to greater convergence with Australia. Whereas, metaphorically speaking, the two Australasian partners still do not always sing the same hymns when it comes to China, they at least have come to use the same hymn book more often under the Ardern government.

Why NZ's management of China relations (still) differs from Australia's

Australia and NZ are closely linked and share many commonalities. Yet, NZ's management of its asymmetric relationship with the PRC has diverged from Australia's for some time now. Even after NZ's recalibration of China policy in

2018, there has been no full convergence. How can we account for this in theoretical terms? And, how do government representatives and close observers in NZ explain the difference in approaches?

Young has argued in this journal that NZ's response to the rise of China in recent decades has not solely been driven by material economic interest but also by 'a search for ontological security as a small trading nation' (2017a, p. 526). He shows how two of the factors that distinguish NZ from Australia, viz. small power status and the importance of trade, became enmeshed in terms of NZ policymakers' collective identity frames. He uses this constructivist approach to explain why and how NZ managed its China relationship for a long time differently from Australia. Yet, such a focus on collective identity frames cannot account for the occurrence of greater China policy convergence across the Tasman Sea in 2018. Nor for that matter does it fully explain why the NZ government modified its approach only later on.

A useful starting point for understanding why NZ's China policy has not fully converged with Australia's—and, as I would argue, is also unlikely to do so in the foreseeable future—is NZ's status as a small power. In fact, several of my interviewees made direct reference to this status and how it affects the country's approach to dealing with China. A Wellington-based China specialist argued that small countries needed to be more pragmatic than bigger ones (Author interview, 2019c). A senior foundation official suggested that 'Australians feel that they have agency. That they can change, if not China, then at least the [international] environment in which China operates'; NZ, on the other hand, was an 'environment-taker' (Author interview, 2019h). A senior intelligence official, noted in a similar vein that NZ was a 'taker of global security', adding that '[w]hen you are a small power, you cannot go around throwing your weight around. We have a different value proposition. Countries have to pick their battles.' He also noted that Australia and NZ had 'fundamentally different tools at their disposal. Australia is more publicly vocal. That is not the way it works in New Zealand' (Author interview, 2019j). A senior NZ-based Australian diplomat concurred, saying that conflicts were addressed and resolved in different ways by the two countries—with the Australian approach being 'more brutal and open' (Author interview, 2019g).

Theoretical perspectives and implications

Both asymmetry theory and small-power theorising help to explain NZ's overall more prudent, restrained and more risk-averse approach to handling its relationship with China. The great power disparity in the China–NZ dyad puts a particular premium on careful relationship management.

NZ's elasticity of exports to China increase the country's vulnerability to potential economic coercion or retaliation by the PRC. This all requires NZ governments to walk a diplomatic tightrope in their relationship with China. Asymmetry theory however also posits that the stronger side is not able to dictate the terms of the relationship to the weaker one. The recalibration of NZ's China policy in 2018 serves as a case in point here, whereas the subsequent modification of the course of action can be read as a return to greater prudence and greater risk-aversion—without, however, diluting the essence of the earlier recalibration. The apparent modification of the approach taken—publicly reassuring China that it is a valued partner and that its companies will not be discriminated against; returning to more neutral language concerning the SCS issue; and, reconfirming engagement with China's signature foreign policy and connectivity project, the BRI—can even be interpreted as an instance of learning and rapid adaptation on the part of a small power. In sum, while small-power status does indeed influence such states' behaviour, it does not ultimately determine it. Choices and thus agency on the part of small powers matter.

How such choices and learning come about is, however, something that small-power theories and asymmetry theory are ill-equipped to answer on their own. This is where case-sensitive knowledge comes into play. For one, such theories need to be complemented by a focus on the strategic outlook of the policymakers in the case(s) concerned. Strategic outlooks are shaped by factors that reflect the particularities of the case in question. The strategic outlook of NZ policymakers is arguably shaped by perceptions of the smallness and international status of the country, the tantamount importance accorded to trade (promotion) and by security ties with Australia—NZ's only formal alliance partner—and to a lesser degree with the US. In theoretical terms, a military alliance with another big power can—depending on the circumstances—enable or constrain the management of a particular asymmetric relationship. In times of conflictual or confrontational relations between two big powers, a small power's management of the asymmetric relationship and of the alliance in question can become deeply entangled, adding another layer of analytic complexity. For small powers such a situation can lead to difficult choices, ones which they would prefer to avoid. Of course, such reasoning may well also apply to middle powers such as Australia. In any case, the absence/existence of an alliance with another big power can impact the management of asymmetric relations with a big power. This also helps to explain why NZ's management of relations with China is bound to differ to some degree from Australia's—which, for better or worse, is tied by alliance to the US.

Small-power theories also need to factor in what Womack calls 'domestic complications' (2016, p. 208)—meaning domestic constraints on state

action, which are particularly important in democracies. Such complications or constraints can take the form of public opinion and media discourse. Also, the party or parties of the opposition can influence public policies through vetoes in the legislature or, more simply, public criticism of the government. In any case, the ‘local ground of confrontation’ often complicates government choices on appropriate action in asymmetric relationships (Womack, 2016, pp. 208–209). As the recalibration of China policy under the Ardern government shows, the composition of government coalitions can be another such domestic complication. When the perspectives and positions of the parties forming a coalition government—and, of course, also those of actors within a governing party—are not fully congruent with respect to handling an asymmetric relationship, this can render the management of it more ambiguous and inconsistent.

Suggestions for further research

Probing deeper into Australia’s and NZ’s recalibrations of China policy would require opening the black boxes of relevant policy formation in the two countries. John Kingdon’s ‘multiple streams’ approach could serve as a starting point to analyse the making of Australia’s reset and of the more ambiguous evolution of NZ’s China policy under the Ardern government. As Karin Guldbrandsson and Bjöörn Fossum note (2009), building on Kingdon’s (1984) seminal work, ‘[a] policy window may open when simultaneously a problem is recognized, a policy is available and the political context is positive for change’ (2009, p. 438)—in other words, when, in Kingdon’s terms, the ‘problem stream’, the ‘policy stream’ and the ‘politics stream’ converge. Applying this to the Australasian recalibrations of China policy would require close analysis of the relevant problem streams (local perceptions of China’s growing assertiveness and of interference issues), policy streams (policy ideas on how best to deal with these problems, and the roles played by carriers of such ideas, namely policy entrepreneurs) and politics streams (political events and developments affecting the willingness of policymakers to address relevant problems, such as the advent of a new government or changes in public opinion)—and, further, how these streams converge. To capture the effects of coalition government dynamics in the NZ case—and, though less important, of the cabinet change from Turnbull to Morrison in the Australian one—on the subsequent development of policy one could move from the original ‘three streams’ model to a ‘four streams’ one—or even to a more complex model of policy processes (see Howlett, McConnell, & Perl, 2015, pp. 7–10).

Further research could also seek to trace how the diffusion of ideas, narratives and policy templates across the Tasman has contributed to the partial

convergence of Australia and NZ in areas such as engagement in the South Pacific, responses to cyberattacks or the development of 5G policy. Relevant processes of diffusion could be based on mechanisms such as coercion, or a combination of coercion and normative pressure (exerted through political or diplomatic channels), emulation/imitation (voluntary adoption and possible adaption of policy templates), or learning and coordination on the basis of shared intelligence and the like (cf. Berry & Berry, 2014, pp. 310–313). It would be interesting to see whether a particular mechanism was dominant, or whether rather a mix thereof—reflecting the different issue areas—was involved in trans-Tasman diffusion processes regarding China policy (and also whether diffusion was only a one-way street).

A final research desideratum concerns the respective economic vulnerability of Australia and NZ vis-à-vis China. While claims concerning such vulnerability abound, empirical and model-based research on the subject matter has only just begun (Giesecke, Tran, & Waschik, 2019; Medcalf, 2017; Steff & Dodd-Parr, 2019, pp.100–101).⁴ Further research along these lines should thus be pursued to validate the veracity of such claims, and their policy implications.

NOTES

1. There are no set definitions of 'small powers' and 'middle powers'. However, as Thorhallsson and Steinsson (2017, p. 3) note, often states with a population size under 10–15 million people are considered small. The current population of NZ is close to five million. Australia, with its around 25 million people, is thus five times larger, and in 2018 its economy was nearly seven times larger than NZ's. In 2018/19 Australia spent, according to data gathered by *Jane's Defence Weekly*, more than nine times as much on defence as NZ.
2. This section draws on Köllner (2018, pp. 3–8). For accounts of the reset, see also McGregor (2019, pp. 2–4) and Medcalf (2019, pp. 113–115).
3. The following paragraphs draw on Köllner (2019, pp. 4–8).
4. For recent discussions of Australia's dependence on China, see the October 2019 edition of *Australian Foreign Affairs*.

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Notes on contributor

Patrick Köllner is vice president of the GIGA German Institute of Global and Area Studies, director of the GIGA Institute of Asian Studies, and professor of political science (with a focus on Asian studies) at the University of Hamburg. He studied at the universities of Konstanz and Essex and holds a doctorate from Humboldt

University of Berlin and a *habilitation* from the University of Trier. His research interests revolve around political organisations and institutions in Asia and in comparative perspective. He was a visiting scholar at the University of Otago, New Zealand, in 2013, 2015, and 2018. His recent publications include a special issue on think-tank development in East Asia (*Pacific Affairs*, March 2018, co-edited with Zhu Xufeng) and the volume *Comparative Area Studies: Methodological Rationales and Cross-Regional Applications* (Oxford University Press 2018, co-edited with Ariel A. Ahram and Rudra Sil).

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